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City and Community Innovations in CDAs

The Role of Community-Based Organizations

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City and Community Innovations in CDAs: The Role of Community-Based Organizations

In the SEED Initiative, twelve community-based organizations (CBOs) across the United States and its territories were chosen to offer CDAs, establish best practices in delivering CDAs and demonstrate "proof of concept." Since the inception of the SEED Initiative, a second wave of CDA programs has emerged at the local level. The purpose of this paper is to analyze these community and city-wide CDA innovations in the U.S. and to examine the role that CBOs play in these innovations. First, this paper explores the theory behind CBO engagement in asset-building and the roles CBOs typically play at the local level. Second, this paper describes the specific roles performed by CBOs in the SEED Initiative and analyzes their relative strengths and weaknesses in delivering CDAs. Third, , the paper describes several newer city-wide innovations that are designed to deliver CDAs on a larger scale and explains the role that CBOs play or may play in these innovations. Finally, the paper concludes with several key recommendations about the proper role for CBOs in providing support for CDA initiatives at the community level, city level, and beyond.

Key words: *CDAs, Child Development Accounts, child savings, community organizations, SEED*

Introduction

Over the past decade and a half, a remarkable social policy movement has emerged in the United States. Based on the simple notion that low-income households can and will save, and that having financial assets is an important way for these families to get ahead and stay ahead, this "asset building" movement has created a new strategic framework for policy and practice that reaches from the local to the national level.

Among the most promising innovations spurred by this movement are Children's Development Accounts (CDAs). CDAs are long-term, matched savings accounts established for children as early as birth and allowed to grow over their lifetime. In their ideal form, CDAs are seeded with an initial deposit and built by contributions from any number of sources including family, friends and the children themselves, as well as organizations such as churches, schools, foundations, government etc. Such groups can also augment the accounts through progressive savings match amounts and other incentives. Savings in CDAs are typically restricted for uses such as funding higher education, starting a small business, buying a home or saving for retirement. The accounts are often accompanied by age-appropriate financial education for accountholders and/or their parents.

The first practical program models of CDAs in the United States were established beginning in late 2003 as part of the Saving for Education, Entrepreneurship and Downpayment (SEED) Initiative, a ten-year national policy, practice and research endeavor designed to develop, test, inform, and promote matched savings accounts and financial education for children and youth. In SEED, twelve community-based organizations (CBOs) across the United States and its territories were chosen to offer CDAs, establish best practices in delivering CDAs and demonstrate "proof of concept." In delivering CDAs (or "SEED" accounts, as they were known in this initiative) these model sites – also known as SEED "community partners" – performed a variety of functions, from strategy and planning, outreach and enrollment, account management and reporting, to offering financial literacy classes, and more.

Since the inception of the SEED Initiative, a second wave of CDA programs has emerged at the local level. Most of these local models were inspired by and learned from the experience of the community partners in SEED, though in many cases, these models envision delivering CDAs on a much larger scale than in SEED. One of the key questions for each of these city-wide innovations has been how to incorporate some level of programmatic support to facilitate saving (a role often played effectively by CBOs), while not creating a model that would be difficult to deliver at scale.

The purpose of this paper is to analyze these community and city-wide CDA innovations in the U.S. and to examine the role that CBOs play in these innovations. First, this paper explores the theory behind CBO engagement in asset-building and the roles CBOs typically play at the local level. Second, this paper describes the specific roles performed by CBOs in the SEED Initiative and analyzes their relative strengths and weaknesses in delivering CDAs. In conducting this analysis, we draw on various research studies in SEED, as well as reports from and interviews with staff at the SEED community partner sites. Third, the paper describes several newer city-wide innovations that are designed to deliver CDAs on a larger scale and explains the role that CBOs play or may play in these innovations. Finally, the paper concludes with several key recommendations about the proper role for CBOs in providing support for CDA initiatives at the community level, city level, and beyond.

Research methods

The authors used several methods for gathering the data and information in this paper. First, we conducted a literature review on the role of CBOs in asset building, particularly as it relates to children and youth. Second, we reviewed all of the SEED research studies to date to identify research findings relevant to CBOs and their role in CDA programs. Third, we reviewed all of the semi-annual progress reports that were submitted to CFED from March 2004 to October 2008 by the twelve community partners in the SEED Initiative. These progress reports included responses to a wide range of questions about the implementation of CDAs as part of the SEED Initiative, and in many cases, the questions specifically addressed the roles of the SEED community partners. Fourth, we reviewed written memos prepared by CFED staff that recorded the results of one-on-one meetings with staff at the SEED community partners that took place during quarterly site visits during the demonstration phase of the SEED Initiative. Finally, we conducted interviews with several key staff persons at some of the city-wide CDA initiatives that have developed outside of SEED.

Background –The Role of CBOs in Asset Building

Community economic development theory suggests five fundamental elements in a comprehensive model of community economic development – resources, markets, society, rules, and decision-making (Shaffer, Deller and Marcouiller, 2004). In this model, institutions such as governmental or non-governmental organizations "provide a mechanism for establishing and enforcing social norms and formal rules." In low-income or resource-poor communities, community based organizations[1] (CBOs) have played an important role historically in the economic sphere in enforcing norms such as equal access, equal participation and broad-based ownership. This history of CBOs as important community economic development institutions started in the 1960's, as Community Action Programs (CAPs) and Community Development Corporations (CDCs) were established to improve housing and social services in the community (Green and Haines, 2008). These organizations engaged in a wide range of activities, including housing development, commercial real estate and small business development (Vidal, 1992). More recently, as the field of community economic development has expanded to include asset-building strategies and tools, CBOs, including CAPs and CDCs, have played an important role in this expansion, delivering, for example, Individual Development Accounts (IDAs) for individuals and families as one powerful tool for ensuring the social norm of broad-based ownership. IDAs are matched savings accounts that enable low-income families to save, build assets, and enter the financial mainstream. IDAs reward the monthly contributions of working-poor families who are saving towards purchasing an asset - most commonly buying their first home, paying for post-secondary education, or starting a small business.

Research on IDAs from the American Dream Demonstration (ADD) finds that participation in IDAs leads to increases in homeownership, real assets, retirement savings, and total assets among low-income families (Mills 2005). Further, evidence suggests that "institutional factors," such as "financial education, peer group meetings, match rate, direct deposit, and monthly saving target," provide a more meaningful explanation for IDA saving performance than individual characteristics (Grinstein-Weiss, Wagner, and Ssewamala 2005). Many of these institutional factors – training, meetings, savings incentives, saving tools and goals - are often facilitated by CBOs. Participants in ADD also reported increased expectations and self-confidence as a result of their involvement in an IDA program (Moore et al. 2001) and other social research has found that "participation in local organizations is strongly connected to both the feelings of empowerment and actual empowerment at the individual and organizational levels"(Anderson and Milligan 2006).

In the same way that CBOs can function as an institution that facilitates community economic development, CBOs can also support asset building. Indeed, the importance of CBOs in asset-building initiatives is consistent with the *institutional theory of saving* (Sherraden and Barr 2005), which posits that people's ability to save and build wealth is primarily the result of institutional factors that either facilitate or create barriers to saving. These factors influence the cost of saving to the individual and the amount of individual decision-making in the asset-building process (Sherraden and Barr 2005). They do not remove the role of the individual in saving, but rather provide a structure and incentives that support and encourage certain behaviors. The seven elements of an institutional theory of saving are: (1) access, (2) information, (3) incentives and disincentives, (4) facilitation, (5) expectations, (6) restrictions, and (7) security (Beverly et al. 2008). As described below, CBOs can play a variety of roles in each of these areas, particularly in working with low-income populations.

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[1] A CBO is a nonprofit organization designed primarily to serve the public good and whose profits are used for the benefit of the organization and its purpose. CBOs may provide one or more services in the areas of health, education, arts, human services and more. They are rooted in a particular place and are ideally representative of and governed by the community that they serve. Examples of CBOs include Community Development Corporations (CDCs), Community Action Programs (CAPs), community foundations, faith-based organizations as well as many other types of nonprofit organizations.

CBOs can have an impact on *access* by locating financial services in the community that they serve. In some cases, CBOs have opened credit unions or other nonprofit financial service centers; in other cases, they have partnered with banks to expand the reach of their services (Seidman and Tescher 2005). However, their role in addressing this barrier is somewhat limited, since most CBOs do not have the skills, expertise or capital to create and manage financial institutions.

CBOs can help in a significant way to provide *information* on financial products through workshops, seminars and other types of financial education. Research on the effectiveness of community-based financial education programs is somewhat inconclusive (Caskey 2006; Chang and Lyons 2007; Hathaway and Khatiwada 2008; and Osteen, Muske and Jones 2007); however, some studies have shown a number of positive outcomes, particularly when coupled with an account (Baker and Dylla 2007). The financial education provided by CBOs in ADD was found to have a positive effect on savings, up to a maximum of 12 hours, after which point there were diminishing returns (Clancy, Grinstein-Weiss and Schreiner 2001).

CBOs can also play a significant role in providing financial *incentives* for families to save, although there are challenges associated with nonprofit organizations taking on this task, depending on the kind of incentives offered (see discussion of below). Some examples of incentives include initial deposits, matching contributions, and other financial incentives for participating in the program and reaching certain goals. Match incentives administered by CBOs in SEED and ADD have increased savings and asset accumulation for participants (Mason et al. 2009; Schreiner and Sherraden 2007).

Most of the *facilitation* tools outlined by Beverly et al. (2008) in their framework for the determinants of asset building are features of the account that help individuals save and build assets, such as automatic enrollment and direct deposit. CBOs can educate people about these features and encourage use, but they are typically not responsible for providing the tools and ensuring their availability to participants. Thus, the role of CBOs in providing facilitation is somewhat limited. However, CBOs have played a role in helping low-income families complete their federal income tax returns and claim the Earned Income Tax Credit, which can then be applied to saving. While only a small percentage of tax filers currently use community-based Volunteer Income Tax Assistance programs, the 900,000 individuals who used this free service in 2007 received over $1 billion in federal refunds (Center for Economic Progress 2007).

CBOs can play a significant role in creating and articulating *expectations* of savings behavior that participants may then try to achieve. In ADD, Sherraden et al (2005) found that both short-term savings targets, such as a minimum monthly deposit amount, and longer-term goals, such as homeownership, were helpful to IDA participants. Program staff at CBOs played a key role in getting participants to articulate these goals and provided support and encouragement to save (Sherraden et al. 2005).

As with facilitation, *restrictions* on withdrawals tend to be a feature of the account and do not typically fall within the purview of the CBO. However, the majority of IDA accounts are structured so that a CBO is either the joint owner or custodian of the account, precisely in order to restrict access to the participant's savings. Participants seem to appreciate this feature (Sherraden et al. 2005; Kempson, McKay and Collard 2005) since it ensures that they do not raid the account for everyday expenses.

Lastly, CBOs can play a significant role in adding to an individual's sense of *security* regarding a savings product, particularly if the program is new or unfamiliar and the CBO is a trusted organization within the community (Sherraden et al. 2005). Given the number of financial scams that are reported in the news media, individuals, particularly those with less financial knowledge, may be skeptical of offers that seem "too good to be true."

In general, CBOs would appear to be well-positioned to exert significant influence on four of the seven elements of an institutional theory of saving – information, incentives and disincentives, expectations, and security. CBOs would appear to be in a position to influence the three other elements – access, facilitation, and restrictions, but only in a limited way.

In addition to these institutional constructs, Beverly et al. (2008) propose a number of other determinants of saving and asset accumulation. These include individual factors such as living expenses and debt, financial knowledge and social networks; actions that the individual takes to save and invest money, and intergenerational and inter-household transfers of wealth (Beverly et al. 2008). CBOs also have the ability to influence several of these individual constructs, including economic resources and needs, social networks, and financial literacy, though that will not be the primary focus of this paper.

The Role of CBOs in SEED

Recognizing the important role that CBOs can play in delivering asset-building tools and services in low-resource communities, the organizers of the SEED Initiative chose a total of twelve CBOs to participate as "community partners" (see Appendix 1). These community partners included a faith-based organization, a youth employment and training program, an afterschool club, and an affordable housing provider. One site, Oakland Livingston Human Services Agency (OLHSA), managed 500 accounts for children in a local Head Start Program, while the remaining 11 sites managed approximately 75 accounts each. Some had prior experience with asset building, such as delivering IDAs or providing financial education; others had a strong connection to and knowledge of the target community, but were new to delivering matched savings accounts.

With primary responsibility for the delivery of CDAs in the SEED Initiative, the CBOs played a number of specific management roles, including:

- **Planning -** Designing a CDA program involves laying the strategic groundwork for an effective program. Activities in SEED included specifying the goals and intended outcomes of the program, understanding the needs to be addressed, choosing organizational partnerships/roles, and setting the guidelines and procedures that dictated how the program functioned.

- **Outreach/Recruitment -** Once the program structure is in place, the task of getting participants on board begins. The outreach and recruitment stage included a variety of activities designed to get participants aware, engaged, and enrolled in the program. Specific activities included marketing the program, conducting targeted outreach toward difficult-to-reach populations, answering questions/addressing concerns about enrollment, helping participants complete paperwork, etc.

- **Account Management** - Account management captures a number of activities that take place once the accounts are up and running. In SEED, the CBOs:
    - Helped to administer the savings instrument selected for the CDA (either a savings account or 529 college savings plan) by utilizing a management information system (MIS) to provide timely and accurate account information to participants regarding savings and matching funds.
    - Tracked account activity and processed withdrawals, either for emergencies or to purchase one of the approved assets.
    - Managed savings incentives, including initial deposits, benchmark incentives, and match funds.
- **Support Services -** These types of services might be described as "hand holding" activities and rely on a personal connection between the program staff and participant. In SEED, such activities included providing encouragement and guidance, facilitating peer support groups, organizing recognition events, sending reminders to save, and providing referrals to other agencies/organizations.
- **Financial Education -** Providing participants with a basic level of financial literacy is also a key component of a CDA program. Depending on the age of the child participating and the program design, SEED community partners worked with the parent, child or both to help them understand the concepts of saving, budgeting, money management, compound interest, etc.

From a theoretical point of view, the primary roles played by CBOs in SEED seem closely aligned with the roles they would seem best suited to fill in support of asset building. In particular, the specific roles described above match the four elements of an institutional theory of saving that CBOs seem most likely to influence in a significant manner – information, incentives and disincentives, expectations, and security. Moreover, the CBOs in SEED would appear to have a particular ability to provide *information*, since at least three of the roles described above – outreach and recruitment, support services, and financial education – involve sharing information in different ways. Providing support services is also likely to influence both *expectations* and *security*. Providing account management is also a significant way that CBOs can influence *incentives*.

Strengths of CBOs in SEED

In analyzing their role in the SEED Initiative, the community partners most frequently mentioned a sense of **trust and connection with the community** as the key strength their CBO offered in the SEED Initiative (SEED Community Partners 2007). CDA programs involve participants in two of the most important aspects of their lives – their children and their finances – making building trust with participants essential. Qualitative research in SEED found that mistrust and fears of systems, organizations, and bureaucracies often kept people from enrolling in the SEED program; several participants mentioned mistrust of the government, while others focused on the U.S. banking system (Williams Shanks, Johnson and Nicoll 2008).

CBOs also played a key role in SEED in **building program awareness and recruiting participants**, which also relies heavily on a strong connection with the community. Nearly all of the SEED partners mentioned outreach as one of their strongest roles in the program (SEED Community Partners 2007). Staff at one of the community partners talked about CBOs being the "salespeople" for the accounts (SEED Community Partners 2007); they were able to tailor the marketing of the program to make it more compelling and applicable to the community they serve. The CBOs in SEED were all established "access points" within their communities and, as such, had the opportunity to reach underserved populations who were less likely to participate in CDA programs. Using a variety of outreach methods, including flyers, community presentations, door-knocking and word-of-mouth, program staff were successful in spreading the word to a targeted pool of potential participants (Humphrey 2005).

The SEED partners also played a valuable role in **providing program information** to participants. In focus groups, parents spoke of how staff answered questions and eased concerns about signing up for the program, helped them to fill out confusing paperwork, encouraged them to make deposits, and helped them find ways to make deposits when they had difficulty (Wheeler Brooks 2008). Even so, some participants still had a lot of misinformation about the accounts, for example, how to use direct deposit (Wheeler Brooks 2008), highlighting the challenge of educating families about program features, particularly those who are unfamiliar with banking and financial products.

Many SEED community partners reported that teaching participants the basic financial concepts (setting goals, budgeting, understanding compound interest, etc.) was an important achievement during the program (SEED Community Partners, 2007), confirming the key role that CBOs can play in providing a **financial education component** to CDA programs. With their unique knowledge of the community, the CBOs were able to customize this financial information to make it more relevant to the culture and context of participants, either by combining elements of existing curricula to make it more appropriate to the age, language ability or ethnicity of participants, or by developing an entirely new curriculum (Rist and Harger 2006).

At some SEED programs, the financial education workshops were also a way to **build peer support networks** among participants, which is one strategy to help encourage saving. In an interview with researchers, a parent at one site talked about how her involvement in the workshops and interactions with other parents had led to greater self-efficacy:

> When I come to the meeting I'm serious…when I stand up in front of the parents and bring other information for the parents to share…because I'm going to see them…it changes my behavior because I'm much more prepared, I'm much more organized, I'm pre-planning. When you pre-plan and you have a strategy in place you're so much more effective in life, period, whether it's your professional or your personal life (Scanlon 2008).

Finally, where limited income and competing economic needs presented a barrier to saving, SEED community partners played a critical role in helping to **connect families to other financial resources** in the community. During focus groups in SEED, parents often said that finding money to deposit into SEED was a persistent source of stress for them. Program-sponsored fundraisers were cited by parents as a way that they would be able to make money for deposits (Wheeler Brooks 2008). In another example, Juma Ventures, which operates concessions in the Bay Area's sports stadiums, employed a number of SEED participants as vendors selling food in the stands and from kiosks. Many of the participants looked forward to the baseball season because they would have an opportunity to make deposits: "It's starting up again and I was telling my mom and she was, like, 'you're getting paid again, you're gonna put it in your SEED account!' " (Adams, Scanlon, and Wheeler Brooks 2006) For such families with limited resources, supplementing income is sometimes the only way to free up money for saving.

The strengths of CBOs in the SEED Initiative lay in their ability to influence three of the elements of the institutional theory of saving – information, expectations, and security. In particular, the strengths of CBOs in creating trust, building awareness, recruiting participants, providing program information, and offering financial education all point to an especially important role that CBOs play in providing *information*. Based on research from SEED and the feedback from the community partners, providing incentives and disincentives was not a particular strength of the CBOs in SEED.

Challenges for CBOs in SEED

The SEED community partners reported that **managing the accounts and financial incentives** was the biggest challenge during the SEED program (SEED Community Partners 2007). Most CBOs do not have the financial/MIS systems necessary to process a large number of financial transactions and managing the accounts places a heavy administrative burden on the organization. As one community partner noted:

> Account management placed heavy stress on our staff capacity and is not within our "sphere of expertise." If we were to ever participate in a program such as SEED again, we would focus our efforts on preparing participants with financial knowledge and skills (SEED Community Partners 2007).

This was no surprise to the researchers and organizers of the SEED Initiative, who had a similar experience with CBOs in ADD; however, with no other institution able and willing to take on this role, CBOs were left having to play a significant role in managing the accounts, and in particular, the financial incentives and matching dollars for the SEED Initiative.

Given their dependence on grant funding, which can be unpredictable and not always sufficient to meet organizational needs, a number of the CBOs reported that **changing funding cycles and insufficient financial resources** presented a challenge during SEED (SEED Community Partners 2007). As a staff member at one organization noted "a certain level of consistency is critical" when implementing a CDA program (SEED Community Partners 2007). Delays or interruptions in funding, competing objectives or mandates of funders, and excessive reporting requirements can all have a negative effect on staffing levels, partnerships, program implementation, and ultimately, the experience of participants in the CDA program. Where resources are scarce, other programs can compete for staff time and priority within the organization (SEED Community Partners 2007). However, these different programs can also offer an opportunity for CBOs to combine programs with related and complementary goals for greater impact.

Similarly, a CBO's focus on a **specific demographic group** at times limited their support to SEED participants. Although the accounts were designed to be long-term savings instruments, the formal relationship between the CBO and participating families may only have been for a limited period of time, for instance, for the one or two years that the child was enrolled in Head Start or was attending a particular school. Low-income families, particularly those with unstable work or housing, tend to be highly mobile and keeping track of families as they moved was a major challenge. Program staff also observed that when "participants [transition] from program to program, there is risk of lost momentum" due to having to build trust and relationships with a new staff or organization (SEED Community Partners, 2007).

Finally, there is the danger that CDA savers can become **overly dependent** on CBOs for advice and management of their savings and finances. Research in SEED found that, in some cases, the community partner had become an intermediary for parents who were unable or had no desire to make deposits with the financial institution holding the SEED account (Wheeler Brooks, 2008). One unintended consequence of this kind of hand-holding might be to keep families unfamiliar with the banking system, especially those who are already unbanked.

The CBOs in SEED faced their greatest adversity in trying to influence one particular element of the institutional model – incentives and disincentives. In particular, managing account information and financial incentives proved to be the biggest challenge for the community partners in SEED. In addition, while providing *information* was generally a strength of CBOs in SEED, this strength was weakened somewhat among those CBOs in SEED whose mission was focused on a particular demographic group

The Role of CBOs Outside of SEED: Newer City-Wide and Neighborhood CDA Initiatives

Since the launch of the SEED Initiative, several noteworthy city-wide CDA innovations have either been proposed or implemented in a number of cities across the United States. Most of these newer models have either been inspired by or have drawn on the lessons from the SEED Initiative. In some cases, the organizers of these newer CDA initiatives conducted extensive interviews with the community and national partners in SEED or participated in periodic meeting of the SEED Initiative partners. In other cases, staff from the community or national partners in SEED were actually involved in the design of these newer models.

Yet, an important distinction between these newer models and the SEED community partners is that each of the newer CDA innovations is designed to implement or envisions implementing CDAs at much greater scale – either city-wide or for a significant number of children and/or youth across the city. Because the goal of delivering many more accounts creates a trade-off between the strengths of CBOs (e.g., building awareness, recruiting participants, providing information, training and peer support) and their limited capacity to provide services on a larger scale, these newer city-wide CDA models offer an opportunity to explore the roles of CBOs as the vision, ambition and scale of CDAs expand. In this section, we present four specific models of city-wide CDA innovations: Caguas, Puerto Rico, New York City, San Francisco, and New Orleans. For each, we describe why the innovation was created (or proposed), how it works and whom it serves. In addition, we describe the role that CBOs do or may play, if any. The first two are live models, while the second two are still in the planning stages. It should be noted that municipal-level innovation in CDAs is a very new and rapidly evolving area of experimentation. The details captured in this paper represent the extent of development and implementation in these models as of spring 2009.

Caguas, Puerto Rico

Caguas, the second largest city in Puerto Rico, introduced a city-wide CDA program in 2008. The mayor of Caguas, William Miranda Marin, championed the city's newly created Child Trust Fund and was instrumental in developing and seeding the program with an initial endowment from city general funds. Through the trust fund, families with children born after July 1, 2007, receive an initial cash deposit of $250. To be eligible, one of the child's parents or a tutor must attend 25 hours of financial education and receive 15 hours of individualized counseling throughout the year. In addition, the parents are required to make monthly deposits of at least $10 in the child's account during such year. Plans call for the city to supplement the initial voucher with a "top up" supplement when the children finish sixth grade. Access to the funds is restricted until participants turn 18, at which time the funds can be used for higher education, vocational training, or starting a small business. The program is jointly administered by the city's Children Affairs Office and BADECO, a municipal community bank. Various municipal departments refer families to the program and HIMA Hospital recruits families with newborns, which number around 1,700 annually.

The Role of CBOs. To date, CBO involvement in the program has been minimal. CBOs have only been involved in one of the five roles identified above – outreach/recruitment. In doing so, CBOs have been engaged in a limited way in some recruitment activities, such as circulating brochures and posting announcements. However, the size and scope of this role may be changing. In order to strengthen the program, increase enrollment and to help it achieve all of its objectives, local officials have contemplated a greater role for CBOs going forward. For example, this might involve deepening recruitment efforts by creating a system that includes multiple CBOs as authorized "enrollment partners" to help streamline and scale-up program participation (Rodriguez, 2008). The city also plans to increase individualized financial counseling to Child Trust families, develop a city-wide public media campaign on financial literacy, and launch a train-the-trainer program for the city's financial education program, all of which could involve CBOs (Gatton, 2008).

New York City

In New York City, the newly-established Youth Financial Empowerment (YFE) program seeks to educate and empower young people transitioning out of foster care to maximize their resources and build assets for their future. Managed by the Office of Youth Development within New York City's Administration for Children's Services, YFE's goal is to serve 450 youth between the ages of 16-21 over a five-year demonstration. Nationwide, over 20,000 youth per year will age out of foster care over the next decade; in New York City, the number is approximately 1,000 per year (New York City Administration for Children's Services, 2007). YFE will offer each participant a CDA with savings matched 2:1, up to $3,000, along with a six-module financial education course focusing on core financial literacy concepts that reflect the experience of youth in foster care. YFE plans to open the first accounts in October 2008 and to have the first wave of 150 accounts opened by the summer of 2009. Key partners include New York City's Center for Economic Opportunity, the Department of Health and Human Services, the United Way of NYC, New Yorkers for Children, and Citibank, YFE's financial institution partner.

The Role of CBOs. CBOs play a strong supportive role in the delivery of the YFE program, performing at least three of the five roles identified above – outreach/recruitment, support services, and financial education. For example, local organizations such as Passport to Success and The

Academy are expected to assist with recruitment, case management, training, and providing employment and internship opportunities. Mentoring USA will provide recruitment and training services for program mentors, and Youth Venture will provide social entrepreneurship training and service learning opportunities for youth. Local CBOs will also provide asset-specific training and services for participants. For example, CBOs such as the Local Initiatives Support Corporation (LISC) will help participants not only to find rental housing, but also to use their funds toward a home purchase. Moreover, one of the CBOs partners in New York City will play a separate role that was not among the five key roles played by the community partners in SEED – offering financial incentives to save. In particular, New Yorkers for Children will provide college scholarships to supplement the savings of selected participants who want to use their funds toward education (Brooks, 2008).

New Orleans

In New Orleans, stakeholders have been developing a plan (not yet implemented) to pilot CDAs for 1,000 low- and moderate-income youth in New Orleans public high schools, with the goal of expansion after two years. An initial deposit of $500 would be placed in a 529 account for each participant at the time of account opening. Additional deposits will be matched 2:1, up to a cap of $250 per year for two years. Financial education would be delivered through the schools, and would be provided by outside entities so that there is no additional burden placed on teachers.

The Role of CBOs. In order for the initiative to be scalable and replicable, those involved in the design have sought a structure that is streamlined, efficient, and comparatively low-cost. For this reason, the implementation plan seeks to build on existing large-scale infrastructures rather than on a CBO-based service delivery model. Plans for this pilot call for it to involve several key partners, coordinated by a central intermediary with local ties to the community, who will serve as a liaison and overall program administrator. While not the main focus of service delivery, CBOs could still play a supportive or "niche" role in the New Orleans pilot and could be involved in at least three of the five roles identified above, including delivery of financial education, providing assistance with outreach and enrollment, and providing supportive services to accountholders.

San Francisco

In mid-2008, the City of San Francisco proposed the creation of the Children's Future Fund as a practical way to ensure that every child born in San Francisco learns the value of saving and asset building from an early age, and starts life with the financial mainstream. A key element of the design of the Children's Future Fund is universal participation, meaning every child will be given an account regardless of income level or immigration status. Under this proposal, the City and County of San Francisco would provide an initial deposit of $250 to seed the creation of an account for each of the approximately 8,500 children born each year in the City of San Francisco. Families of newborns would receive a voucher in the child's name, which could be taken or mailed to a participating financial institution. In addition, family members, foundations, corporations and private individuals would be encouraged to contribute to the accounts. Moreover, a targeted match, providing a 1:1 match for every $1 saved by lower-income families, and capped at a set annual amount, would provide an additional encouragement to save. Additional benchmark incentives and linkages to other related programs designed to increase financial security, such as the city's Working Families Credit and the Bank on San Francisco initiative, are also envisioned. Funds in Child Future

Fund accounts could only be withdrawn at age 18. Once withdrawn, funds would be allowed to be used for any purpose, but added incentives would likely be built in to encourage specific uses, such as college education or vocational training.

The Children's Future Fund was proposed by Mayor Gavin Newsom and Treasurer Jose Cisneros in mid-2008, but was not approved by local lawmakers. As proposed, the Child Future Fund would cost roughly $2.5 million annually and would be launched, implemented and managed by the Office of the Treasurer.

The Role of CBOs. In addition to participation by banks and a variety of city agencies, such as the Department of Children, Youth and Families (DCYF), the San Francisco Unified School District, and the Human Services Agency, the Children's Future Fund also envisions a large network of CBOs that would serve families and play two of the five roles identified above –support services and financial education. While this role is yet to be further defined and this proposal is yet to be approved, it is possible that – were the Children's Future Fund to be enacted -- CBOs would play a key role in plans that call for the creation of innovative programming, and expanded links to existing programming, to focus on parent education and youth development. In the early years, for example, this programming would provide information and support to parents in the areas of financial practices, health issues, educational opportunities, and parenting/parental support, all using the Children's Future Fund as a way to deliver both information and (potentially) financial incentives for participation. As the children grow, this programming would evolve to focus on the child by encouraging academic success, community service and participation in youth empowerment activities. Though still very preliminary, in all of this programming, CBOs would have an important role to play.

In these newer municipal CDA initiatives, the most common activities for CBOs – either current or planned – fall in three areas: outreach/recruitment, supportive services, and financial education. These three areas of activity are well-suited to influence three of the elements of the institutional theory of saving – information, expectations, and security. Interestingly, only one city (NYC) envisions a role for CBOs in creating incentives/disincentives for saving, and in this case, the role would not be in account management, but rather in raising additional incentives for savers.

Recommendations and Conclusions

The experience of the community partners in the SEED Initiative and subsequent municipal efforts to establish CDAs provides a rich opportunity to analyze and draw lessons on the role of CBOs in city and community-level implementation of CDAs. Overall, the experience of the early CBO-led innovations in SEED has been positive, with the share of participants showing positive net contributions approaching 60%, average quarterly savings of $30 and, after less than four years of participation, average total accumulation of over $1,500 in savings and match funds (Reyes Mason et al., 2008). Yet, these programs have also had their share of challenges. For example, recruitment has been slow and difficult in most cases, managing the accounts has been burdensome, and financial education has not reached all of the intended beneficiaries.

As policymakers and practitioners move forward with various CDA models and proposals at the local, state and federal levels, especially those that envision large-scale delivery of accounts, the experience from SEED and from newer municipal initiatives suggest several key recommendations regarding the ideal role of CBOs:

- **CBOs have an important role to play in ensuring broad-based participation in CBO initiatives.** One potential downside of proposals for universal CDAs is that the wealth gap could actually increase, if families with financial know-how participated in large numbers and families with limited know-how did not. In the SEED Initiative, which targeted mostly poor and low-income households in disadvantaged communities, savings outcomes were modest, but impressive compared with a national savings rate that frequently dipped into the negative range during the SEED demonstration phase (2003 – 2008). Much of this success was due to the leadership and effort of the CBOs that led the community partner sites in SEED. As noted in the outset, CBOs can play a critical role in the community economic development process by ensuring equal opportunity and participation for all income levels in all facets of economic life, including participation in asset-building innovations, such as CDAs. However, given limited capacity to deliver services and often specific demographic groups that serve as their target populations, it would appear that CBOs would be best suited to a targeted role, rather than a central role, in such large-scale CDA initiatives.

- **In CDA initiatives, CBOs are best suited to providing information, shaping expectations, and fostering a sense of security for savers.** Using the institutional theory of saving as a framework, these are the roles that fit both what one might expect to be those most likely to influence saving and what the experience from the SEED Initiative suggests about the particular strengths of CBOs. These are also the most common roles for CBOs – either current or planned – in the newer municipal CDA efforts. In particular, CBOs should be utilized to help spread the word about CDAs, especially in low-income communities. CBOs that are trusted in the community can provide a strong endorsement for a CDA program and help conduct outreach to their constituents and communities. In addition, CBOs should be utilized to provide targeted support services and financial education to participants, provided these roles fall within the organization's capacity. CBOs that have existing relationships with families based on providing other complementary services, such as early childhood support, may be particularly well-suited for this role.

- **Larger-scale CDA models or proposals should develop systems in which accounts and financial incentives are entirely managed by financial institutions – not CBOs.** While providing incentives and disincentives to save is a role that CBOs can play and one in which they can have a significant influence on saving, the experience in SEED suggests that – especially the particular role of managing account information and financial incentives – is not a strength of CBOs. Fulfilling this role in the SEED Initiative was the area of implementation that the SEED community partners struggled with the most and where there was the greatest inefficiency and cost. This is reflected in the emerging municipal CBOs models in which the role of CBOs is limited to helping to raise additional account incentives.

- **CBO impact can be maximized by involving them in the planning and design stages of CDA initiatives**. CBOs have the knowledge and experience of working with diverse populations and may be able to anticipate some of the barriers to participation and saving and suggest ways to overcome them. CBOs can also help create a "stream of services" to reach underserved communities as participants move through different stages of life. While CBOs played a central role in the design of CDA programs in SEED, this has not often been the case in the more recent municipal CDA efforts. Municipal leaders and others involved in the design of public policies to support CDAs should be make sure to include CBOs in the planning and design phase of any new CDA program or policy.

- **If a role for CBOs in supporting CDAs is envisioned, make sure to make provisions for providing the financial support needed by CBOs** . For example, incorporate the cost of CBO services, if deemed necessary, into legislative language and/or annual budgets for CDA programs.

We have learned from the experience of delivering CDAs at the community and city-wide level that CBOs can be an important piece of the puzzle, though their proper role continues to be discussed and refined. As policies and programs are developed at the local state, and federal level, a further area for research will be analyzing and refining the important role of CBOs within larger-scale systems of CDAs.

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Appendix 1

SEED Community Partners

Program	Location	Target Recruitment by Grade Level or Age	Number of Participant[1]
Beyond Housing	St. Louis, MO	Kindergarten and 1st grade	74
Cherokee Nation	Tahlequah, OK	High school	75
Boys & Girls Clubs of Delaware	Wilmington, DE	Middle School	71
Foundation Communities	Austin, TX	Elementary school	69
Fundación Chana y Samuel Levis	San Juan, PR	Elementary school	81
Harlem Children's Zone	New York, NY	Preschool and kindergarten	75
Juma Ventures	San Francisco, CA	High school and other youth ages 14–18	81
Mile High United Way	Denver, CO	Youth ages 14–23	150[2]
Oakland Livingston Human Service Agency (OLHSA)	Pontiac, MI	Preschool	499
People for People	Philadelphia, PA	Middle school	75
Sargent Shriver National Center on Poverty Law (Shriver Center)	Chicago, IL	Elementary school	82
Southern Good Faith Fund	Helena, AR	Preschool	75
ALL SEED			1,407

[1] Not all accountholders participated in the Account Monitoring Study; therefore these numbers differ slightly from some of the SEED research reports.
[2] Mile High United Way enrolled two cohorts of 75 participants.